

ST. CHARLES POLICE PENSION FUND

211 North Riverside Avenue
St. Charles, Illinois 60174

MEETING MINUTES

Wednesday, June 10, 2015

12:00 p.m. – St. Charles Police Department

1. President Beam called to order the Regular Meeting of the St. Charles Police Pension Board at 12:02 p.m.

2. ROLL CALL

Members Present: Timothy Beam, President; Michael Griesbaum, Secretary; Chris Minick, Finance Director; and Dave Jannusch, Trustee

Members Absent: Warren Drewes, City Treasurer

Others Present: Attorney Evan J. Haim , Reimer Dobrovolny & Karlson LLC; Joe Christinson , UBS (via telephone); James Keegan, St. Charles Chief of Police

Beam announced that Warren Drewes has officially resigned from the St. Charles Police Pension Board effective immediately. Minick reported that Chief James Keegan will be appointed to the St. Charles Police Pension Board at the next City Council meeting on Monday, June 15, 2015.

3. APPROVE PREVIOUS MEETING MINUTES

Motion: To approve the minutes of the March 5, 2015 Regular Meeting as presented

Maker: Jannusch

Second: Griesbaum

Voice Vote: 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. All in favor. Motion Carried.

4. INVESTMENT ACTIVITIES

At this time, Joe Christinson, UBS joined the meeting via telephone. As of the end of March 2015, the portfolio was at \$30.4M. In 2009, the portfolio was at \$18.8M, which is an increase of \$11.6M with only \$1.5M put in. The portfolio is paying the beneficiaries and still growing strong. The portfolio is currently beating its actuarial hurdle, however, over the last 1, 3 & 5 years it trailed that. The Fund is currently using a 7% hurdle rate, which is a little high. The State of Illinois is currently using a 6.75% hurdle rate and many funds are gravitating to this rate. As such, the Fund may want to look at changing its hurdle rate in the near future. The Fund's benchmark is right at the 7% hurdle rate. The Fund has trailed due to manager selection, particularly over the last year. Because of this, Guggenheim was terminated and replaced with the Wells Fargo Absolute Return. Wells Fargo was up 2% YTD. PIMCO was on the watch list from the last meeting and are showing improvement. Review performance in the fall to determine whether or not to keep them in the portfolio. Black Rock was hired to replace the portfolio's floating rate allocation with First Trust and emerging market debt allocation with TCW. This has proved to be a good move with Black Rock up 1.2% YTD, with the benchmark at .07%.

The Columbia Acorn International Fund's performance has been disappointing and there is concern with some internal strife they have been experiencing. There was a large turnover on the management portfolio team in May. The Board may need to determine if they should remain in the portfolio. UBS will be contacting Columbia to determine if they are still the right manager for the Fund. Recommendations will be brought to the September meeting.

Discussion was held on the portfolio's sharpe ratio, standard deviation, etc. The following managers had strong performances last quarter to include: Tortoise Capital up 4.59% at the 1-Year and 17.84% since inception; FAMCO up 6.36% at the 1-Year and 18.48% since inception; Chilton up 5.44% for the quarter, 28.64% at the 1-Year and 30.88% since inception. The Asset Allocation Study is due for an update within the next year. It is recommended this study be completed every 3 years. Will discuss a risk profile at the next meeting to make sure the Fund is still on track and determine the goals of the Board.

Minick stated that the Fund is due for a tax levy around the end of June. It was recommended that the Board not rebalance at this time and wait for the tax levy monies. Concerns were voiced reference waiting to the September meeting to make a determination about Columbia. UBS does not have as much concern with Columbia and they did with Guggenheim. If that changes, they will contact the Board immediately to determine what action should be taken, if needed.

Motion: To authorize Chris Minick to allocate funds from the June tax levy monies in coordination with Jon Willhite reference rebalancing the worksheet. Final numbers will be ratified at the September meeting.
Maker: Jannusch
Second: Griesbaum
Roll Call: Griesbaum – Aye, Minick – Aye, Jannusch – Aye, Beam – Aye. 4 Ayes, 0 Nay, 0 Absent, 1 Vacant. All in favor. Motion Carried.

The Board will be going out of order at this time.

10. NEW BUSINESS

Certification/Approval of Election Results – One (1) Active Member seat is up for election this year. The Board paused to count the ballots. Results as follows:

Griesbaum	24 Votes
Heike	6 Votes

Motion: To approve the election results with Griesbaum as the Active Trustee of the St. Charles Police Pension Board for a term of 2 years beginning May 1.
Maker: Jannusch
Second: Minick
Voice Vote: 3 Ayes, 0 Nays, 0 Absent, 1 Vacant, 1 Abstain (Griesbaum). All in favor. Motion Carried.

Discuss/Approve Election of Board Officers

Motion: To select Tim Beam as President of the St. Charles Police Pension Board
Maker: Griesbaum
Second: Minick
Voice Vote: 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. All in favor. Motion Carried.

Motion: To select Dave Jannusch as Vice President of the St. Charles Police Pension Board
Maker: Beam
Second: Minick
Voice Vote: 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. All in favor. Motion Carried

Motion: To select Mike Griesbaum as Secretary of the St. Charles Police Pension Board

Maker: Beam
Second: Minick
Voice Vote: 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. All in favor. Motion Carried

Motion: To table the selection of Assistant Secretary until the September Meeting
Maker: Griesbaum
Second: Minick
Voice Vote: 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. All in favor. Motion Carried

Motion: To table the selection of FOIA and OMA to the September Meeting
Maker: Griesbaum
Second: Minick
Voice Vote: 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. All in favor. Motion Carried

5. OLD BUSINESS

None

6. PRESENTATION AND APPROVAL OF BILLS FOR DISBURSEMENT

Motion: To approve bills for disbursement as presented in Addendum A dated 06/01/2015 in the amount of \$85,169.75
Maker: Griesbaum
Second: Jannusch
Roll Call: Minick – Aye, Beam – Aye, Griesbaum – Aye, Jannusch – Aye. 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. All in favor. Motion carried.

7. APPLICATIONS FOR MEMBERSHIP

Discuss/Approve Application for Membership – Mjal (Tier 2) – No application at this time. Table to the September Meeting.

8. APPLICATIONS FOR BENEFIT

Discuss/Approve Application for Benefits – Dargis – Lynn Dargis retirement date of 06/14/15. First check to be pro-rated from 06/15 to 06/30 in the amount of \$3421.55 with a monthly benefit of \$6415.41. Pensionable Salary at the time of retirement is \$118,438.32, 24 years 4 months and 16 days of creditable service.

Motion: To approve the retirement benefits for Lynn Dargis effective 06/15/2015.
Maker: Griesbaum
Second: Jannusch
Roll Call: Minick – Aye, Beam – Aye, Griesbaum – Aye, Jannusch – Aye. 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. All in favor. Motion carried.

Discuss/Approve Benefits Surviving Spouse – Harris – Officer John Harris retired in 1992 and recently passed away.

Motion: To approve the surviving spouse benefits for Dorothy Harris based on the duty disability pension of Officer John Harris
Maker: Griesbaum
Second: Minick

Roll Call: Minick – Aye, Beam – Aye, Griesbaum – Aye, Jannusch – Aye. 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. All in favor. Motion carried.

Status of Benefits – Kern – Haim reported that Kern’s annual examination is scheduled for 06/20/2015. All documentation should be available for the September Meeting.

9. ATTORNEY’S REPORT

Haim reported on Baldermann vs. Chicago Ridge Police Pension Fund. Chief Baldermann and Deputy Chief Kapelinski (Secretary of the Chicago Ridge Police Pension Fund) had negotiated with the Village of Chicago Ridge for a 20% salary increase at separation. The propriety of that was not an issue. At a regularly scheduled quarterly meeting (April 28), Chief Baldermann submitted, for the first time, an application for a line-of-duty disability benefit. Although this issue was not on the agenda and the fact that there were no medical records, no IME’s, no hearing, no investigation, the Board considered his application for this line-of-duty disability and over the objections of the Board’s President, awarded Baldermann a line-of-duty disability pension with a vote of 5-1, effective immediately. DC Kapelinski, in his role as Secretary, then had the City Treasurer sign the salary certification form under duress. Baldermann begins receiving his line-of-duty disability benefits and is no longer the Chief of Chicago Ridge. On May 6, DC Kapelinski submits his application for retirement and has Chief Baldermann sign off on his (Kapelinski) salary certification and then obtains the other required signatures. Sometime later, the new Board decides to conduct an investigation and open hearings on the propriety of these two pension benefit recipients. Baldermann and Kapelinski file a declaratory complaint seeking a court order that the Board cannot consider these decisions because it was past the 35-day administrative review period. The Supreme Court and the Appellate Court disagreed. The Appellate Court’s decision/opinion was that everything the Board did in awarding these pension benefits was wrong. Kapelinski’s salary was neither approved nor considered in a meeting. Baldermann’s line-of-duty disability wasn’t on the agenda and violated the Open Meetings Act. Furthermore, there was no written decision presented to the Pension Board for signature. The courts ruled that as a result, there were no decisions made by the Board triggering the 35-day administrative review period. As a result, this issue still remains within the authority of the Pension Board, which has the authority to conduct hearings and make whatever decisions need to be made accordingly. In short, how not to run a fund.

Haim reported that the Appellate Court found that a bump in salary (salary spike) is permissible. There is nothing in the Pension Code reference pension spikes. Discussion was held on why or why not pension spikes should or should not be permissible, how someone who receives a salary increase on one day and retires the next, pension spikes negotiated with municipalities, etc.

It was noted that the Trustees have been keeping up with their required training. Many members will be attending the IPPFA training in Lake Geneva this year. This training will be held in October. Discussion continued on obtaining the required training. On-line training is available. New trustees have 18 months to complete 32 hours of pension training. All other trustees must obtain 16 hours of pension training annually from August to August.

Haim reported that the DOI conducted a 10-year audit on every pension fund in the State. This audit shows that the majority of the funds (90%) are doing very well. It is unknown why the audit was conducted. Best guess is that they are attempting to determine whether or not to move forward with some sort of consolidation of funds. Because approximately 90% of the funds are doing well, the results of this audit will not support the basis for consolidation.

Beam inquired as to the status of the Chicago Police Pension Fund and lobbying to make a smaller payment, as their fund is approximately \$20B behind. The understanding is that the 90% funding is being pushed out to 2050. Haim reported that Chicago Police Officers are not an Article 3 Fund. They have their own fund separate

from everyone else's. Beam inquired if all municipalities would be able to do the same. The current deadline is 2040. Unfortunately, history shows that this deadline is continuously being moved back. There are currently 6 other states that have the same constitutional protections as Illinois and all 6 states are already at least 90% funded, the State of Illinois is only 41% funded. In the Supreme Court's opinion, this is a problem of Illinois' own making. Illinois caused their own pension crisis. In the 90's, Illinois put some programs into place to alleviate the burden and redistribute the monies. Illinois didn't redistribute these monies. As a result, the Supreme Court denied all of Illinois' requests for change. It was noted that Chicago's attempt to seek relief in their pension crisis is separate from Illinois. The facts in Chicago's case are different. It is unknown what the outcome will be. Will continue to monitor.

Break 1:05

Return 1:07

10. NEW BUSINESS

Approval of the Global Treasury Management Services Agreement Between BMO Harris Bank and the City of St. Charles Police Pension Fund – Minick reported it is a real fancy way of saying this agreement will allow the Pension Fund to continue with ACH's. The Fund recently switched to BMO Harris Bank and wants to take advantage of the ACH Origination service offered. It was discovered that although the City of St. Charles has always had an agreement, the St. Charles Police Pension Fund has not. This agreement is more housekeeping and is the exact same agreement that the City of St. Charles has with BMO.

Motion: To approve and sign the Global Treasury Management Services Agreement between BMO Harris Bank and the City of St. Charles Police Pension Fund to continue the ACH transactions and to authorize for the necessary signatures to be executed.

Maker: Griesbaum

Second: Minick

Roll Call: Minick – Aye, Beam – Aye, Griesbaum – Aye, Jannusch – Aye. 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. All in favor. Motion carried.

PUBLIC COMMENTS – None

ADJOURNMENT

There being no further business, a motion was made by Jannusch to adjourn the meeting at 1:10 p.m. Seconded by Minick. Voice Vote. 4 Ayes, 0 Nays, 0 Absent, 1 Vacant. All in favor. Motion carried.

The meeting was adjourned at 1:10 p.m. The next regular meeting is scheduled for September 2, 2015 at noon.

Respectfully submitted,

President

Secretary